

TOWNSHIP OF HAMILTON  
CLARE COUNTY, MICHIGAN

REPORT ON FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2005

# Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

|   |                                |   |                        |
|---|--------------------------------|---|------------------------|
| Local Government Type<br><input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other |                                | Local Government Name<br><b>Hamilton</b>                    | County<br><b>Clare</b> |
| Audit Date<br><b>6/30/05</b>  | Opinion Date<br><b>8/15/05</b> | Date Accountant Report Submitted to State:<br><b>9/5/05</b> |                        |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

|   | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations.                                   | ✓        |                 |              |
| Reports on individual federal financial assistance programs (program audits). |          |                 | ✓            |
| Single Audit Reports (ASLGU).   |          |                 | ✓            |

Certified Public Accountant (Firm Name)

**Barry E. Gaudette, CPA, PC**

|   |                              |                    |                       |
|---|------------------------------|--------------------|-----------------------|
| Street Address<br><b>1107 E. Eighth Street</b>        | City<br><b>Traverse City</b> | State<br><b>MI</b> | ZIP<br><b>49686</b>   |
| Accountant Signature<br><i>Barry E. Gaudette, CPA</i> |                              |                    | Date<br><b>9/5/05</b> |

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INTRODUCTORY SECTION

TOWNSHIP OF HAMILTON  
LIST OF ELECTED OFFICIALS  
JUNE 30, 2005

ELECTED OFFICIALS

Robert Duby II

Supervisor

Sally Zelt

Clerk

Barbara Grunas

Treasurer

Michael Iutzi

Trustee

Melanie Conway

Trustee

### INDEPENDENT AUDITORS' REPORT

Members of the Township Board  
Township of Hamilton  
Clare County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Hamilton, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township of Hamilton, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Since it was not practical to extend our auditing procedures into the prior unaudited year, we are unable to express an opinion on the consistency of application of accounting principles with the preceding year.

Township of Hamilton  
Independent Auditors' Report  
Page Two

In our opinion, except for the omission of the information mentioned in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Township of Hamilton, Michigan, as of June 30, 2005, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note IV(C), the Township has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis - for State and Local Governments*, as amended and interpreted, as of June 30, 2005.

The financial statements referred to above do not include the Management Discussion and Analysis, which is required supplementary information and should be included in order to conform with accounting principles generally accepted in the United States of America.

*Sam E. Taudt, CPA, P2*

August 15, 2005

**BASIC FINANCIAL STATEMENTS**



Township of Hamilton  
Government-Wide Financial Statements  
Statement of Net Assets  
June 30, 2005

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| Cash and cash equivalents                            | \$ 704,229                         |
| Cash - restricted                                    | 30,226                             |
| Due from other funds                                 | 140,170                            |
| Capital assets (net of<br>accumulated depreciation): |                                    |
| Land and improvements                                | 35,000                             |
| Buildings and improvements                           | 38,750                             |
| Equipment  | <u>6,259</u>                       |
| Total assets   | <u>954,634</u>                     |
| <b>LIABILITIES</b>                                   |                                    |
| Noncurrent liabilities:                              |                                    |
| Due within one year                                  | 26,416                             |
| Due in more than one year                            | <u>84,736</u>                      |
| Total liabilities                                    | <u>111,152</u>                     |
| <b>NET ASSETS</b>                                    |                                    |
| Invested in capital assets                           | 80,009                             |
| Restricted   | 30,226                             |
| Unrestricted   | <u>733,247</u>                     |
| Total net assets                                     | <u>\$ 843,482</u>                  |

See notes to financial statements

Township of Hamilton  
Government-Wide Financial Statements  
Statement of Activities  
For the Year Ended June 30, 2005

| Functions<br>/Programs                | Expenses         | Program Revenues           |   |   |
|---------------------------------------|------------------|----------------------------|---|---|
|                                       |                  | Charges<br>for<br>Services | Operating<br>Grants<br>and<br>Contributions | Capital<br>Grants<br>and<br>Contributions |
| Governmental activities:              |                  |                            |   |   |
| Legislative                           | \$ 21,675        | \$                         | \$  | \$  |
| General                               |                  |                            |   |   |
| Government                            | 54,533           | 1,760                      | 6,435                                       |   |
| Public safety                         | 42,208           | 11,113                     | 891   |   |
| Public works                          | 136,162          | 120,614                    |   |   |
| Community/<br>economic<br>development | 3,830            |                            |   |   |
| Recreation &<br>culture               | 9,051            |                            |   |   |
| Interest<br>expense                   | 6,416            |                            |   |   |
| Depreciation                          | <u>2,003</u>     |                            |   |   |
| Total<br>governmental<br>activities   | <u>\$275,878</u> | <u>\$133,487</u>           | <u>\$ 7,326</u>                             | <u>\$</u>                                 |

General revenues:  
Property taxes  
Licenses & permits  
State aid  
Interest earnings  
Rents & royalties  
Miscellaneous

Total general revenues

Change in net assets

Net assets - beginning

Net assets - ending

See notes to financial statements

Net (Expense)  
Revenue and  
Changes in  
Net Assets

Governmental  
Activities

\$ ( 21,675)

( 46,338)

( 30,204)

( 15,548)

( 3,830)

( 9,051)

( 6,416)

( 2,003)

( 135,065)

101,103

290

135,821

5,891

6,681

26,550

276,336

141,271

702,211

\$ 843,482

Township of Hamilton  
Balance Sheet  
Governmental Funds  
June 30, 2005

|  | <u>General</u>    | <u>Other<br/>Governmental<br/>Funds</u> |
|--|-------------------|---|
| <b>ASSETS</b>                            |                   |   |
| Cash and cash equivalents                | \$ 610,892        | \$ 93,337                               |
| Cash - restricted                        | 30,226            |   |
| Due from other funds                     | <u>140,170</u>    |   |
| Total assets                             | <u>\$ 781,288</u> | <u>\$ 93,337</u>                        |
| <b>LIABILITIES AND<br/>FUND BALANCES</b> |                   |   |
| Liabilities:                             |                   |   |
| Due to other funds                       | \$ _____          | \$ _____                                |
| Total liabilities                        | _____             | _____                                   |
| Fund balances                            |                   |   |
| Reserved                                 | 30,226            |   |
| Unreserved,<br>reported in:              |                   |   |
| General fund                             | 751,062           |   |
| Inland Lakes fund                        |                   | 43,551                                  |
| Private Roads fund                       |                   | 30,470                                  |
| Springwood Lakes fund                    | _____             | <u>19,316</u>                           |
| Total fund<br>balances                   | <u>781,288</u>    | <u>93,337</u>                           |
| Total liabilities<br>and fund balances   | <u>\$ 781,288</u> | <u>\$ 93,337</u>                        |

See notes to financial statements

**Total  
Governmental  
Funds**

---

\$ 704,229  
30,226

140,170

\$ 874,625

\$ \_\_\_\_\_

\_\_\_\_\_

30,226

751,062  
43,551  
30,470  
19,316

874,625

\$ 874,625

Township of Hamilton  
Reconciliation of the Governmental Funds  
Balance Sheet  
With the Statement of Net Assets  
June 30, 2005

Amounts reported for governmental activities in the  
statement of net assets are different because:

|   |            |
|---|------------|
| Total Fund Balance - Governmental Funds | \$ 874,625 |
|---|------------|

Capital assets used in governmental activities  
are not financial resources and therefore  
are not reported as assets in governmental  
funds:

|                          |           |
|--------------------------|-----------|
| Cost of capital assets   | 98,765    |
| Accumulated depreciation | ( 18,756) |

|  |                   |
|--|-------------------|
| Long-term liabilities are not due and payable<br>in the current period and therefore are not<br>reported in the funds. | <u>( 111,152)</u> |
|--|-------------------|

|  |                   |
|--|-------------------|
| Total Net Assets - Governmental Activities | <u>\$ 843,482</u> |
|--|-------------------|

See notes to financial statements

Township of Hamilton  
Statement of Revenues, Expenditures and Changes  
In Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2005

|                                 | <u>General</u>    | <u>Other<br/>Governmental<br/>Funds</u> |
|---------------------------------|-------------------|---|
| <b>REVENUES</b>                 |                   |   |
| Taxes & adm. fees               | \$ 133,281        | \$ 84,152                               |
| Licenses & permits              | 5,595             |   |
| State aid                       | 142,256           |   |
| Charges for services            | 12,767            |   |
| Interest earnings               | 5,833             | 58                                      |
| Rents & royalties               | 6,681             |   |
| Miscellaneous                   | 26,526            |   |
| Total revenues                  | <u>332,939</u>    | <u>84,210</u>                           |
| <b>EXPENDITURES</b>             |                   |   |
| Current:                        |                   |   |
| Legislative                     | 21,675            |   |
| General government              | 54,533            |   |
| Public safety                   | 42,208            |   |
| Public works                    | 80,590            | 55,572                                  |
| Community/economic development  | 3,830             |   |
| Recreation & culture            | 9,051             |   |
| Debt service:                   |                   |   |
| Principal                       | 25,159            |   |
| Interest                        | 6,416             |   |
| Total expenditures              | <u>243,462</u>    | <u>55,572</u>                           |
| Net changes in<br>fund balances | 89,477            | 28,638                                  |
| Fund balances-beginning         | <u>691,811</u>    | <u>64,699</u>                           |
| Fund balances-ending            | <u>\$ 781,288</u> | <u>\$ 93,337</u>                        |

See notes to financial statements

**Total  
Governmental  
Funds**

---

\$ 217,433  
5,595  
142,256  
12,767  
5,891  
6,681  
26,526  
417,149

21,675  
54,533  
42,208  
136,162  
3,830  
9,051

25,159  
6,416  
299,034

118,115  
756,510  
\$ 874,625



Township of Hamilton  
Reconciliation of the Statement of Revenues, Expenditures  
and Changes in Fund Balance of Governmental Funds  
To the Statement of Activities  
For the Year Ended June 30, 2005

Amounts reported for governmental activities in the  
statement of activities are different because:

|                                     |            |
|-------------------------------------|------------|
| Total net change in fund balances - |            |
| total governmental funds            | \$ 118,115 |

Governmental funds report capital outlays  
as expenditures. However, in the statement  
of activities the cost of those assets is  
allocated over their estimated useful lives  
and reported as depreciation expense. This  
is the amount by which capital outlays  
exceeded (were less than) depreciation  
in the current period.

|                 |          |
|-----------------|----------|
| Capital outlays | -        |
| Depreciation    | ( 2,003) |

The issuance of long-term debt provides  
current financial resources to governmental  
funds, while the repayment of the principal  
of long-term debt consumes the current  
financial resources of governmental funds.  
Neither transaction, however, has any effect  
on net assets. This amount is the net effect  
of these differences in the treatment of long-  
term debt and related items.

25,159

|   |                   |
|---|-------------------|
| Change in net assets of governmental activities | <u>\$ 141,271</u> |
|---|-------------------|

See notes to financial statements

Township of Hamilton  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
June 30, 2005

|                                   | <u>Tax<br/>Collection<br/>Fund</u>   |
|-----------------------------------|--------------------------------------|
| <b>ASSETS</b>                     |                                      |
| Cash and cash equivalents         | \$ 140,170                           |
| Due from other governmental units | <u>                    </u>          |
| Total assets                      | <u>140,170</u>                       |
| <br><b>LIABILITIES</b>            |                                      |
| Due to other funds                | 140 170                              |
| Due to other governmental units   | <u>                    </u>          |
| Total liabilities                 | <u>140,170</u>                       |
| <br><b>NET ASSETS</b>             |                                      |
| Held in trust for other purposes  | <u><u>\$                    </u></u> |

See notes to financial statements

Township of Hamilton  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
For the Year Ended June 30, 2005

|   | <u>Tax<br/>Collection<br/>Fund</u>   |
|---|--------------------------------------|
| <b>ADDITIONS</b>                        |                                      |
| Property tax collections and fees       | \$1,540,749                          |
| Interest earned                         | <u>117</u>                           |
| Total additions                         | <u>1,540,866</u>                     |
| <b>DEDUCTIONS</b>                       |                                      |
| Payments to general fund                | 101,102                              |
| Payments to special revenue funds       | 84,152                               |
| Payments to other governmental<br>units | <u>1,355,612</u>                     |
| Total deductions                        | <u>1,540,866</u>                     |
| Changes in net assets                   |                                      |
| Net assets - beginning                  | <u>                    </u>          |
| Net assets - ending                     | <u><u>\$                    </u></u> |

See notes to financial statements

**Township of Hamilton**  
**Notes to the Financial Statements**  
**June 30, 2005**

**I. Summary of significant accounting policies**

The financial statements of the Township of Hamilton (the Township) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Township's accounting policies are described below.

**A. Reporting entity**

The Township is governed by an elected five-member board. The accompanying financial statements present the Township's operations for which the government is considered to be financially accountable. The Township has no component units and is not responsible for any jointly governed organizations.

**B. Government-wide financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from the goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**C. Measurement focus, basis of accounting and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provided have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when a payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township property tax is levied each December 1st on the taxable valuation of property (as defined by State statutes) located in the Township as of the preceding December 31st. Real property taxes not collected as of March 1st are turned over to Clare County, which advances the Township 100% for the delinquent taxes.

The 2004 taxable valuation of the Township totaled \$50,227,110, on which ad valorem taxes levied consisted of .5740 mills for Township operating purposes and voted millage of .5740 mills for road operating purposes. This amount is recognized in the General Fund as current tax revenue as well as administrative fees to collect the taxes and applicable interest.

The Township reports the following major governmental fund:

The *general fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Township reports the following nonmajor governmental fund:

Special revenue funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The *inland lakes, private roads, and springwood lakes fund* are special revenue funds.

The Township reports the following fiduciary fund:

The *Current Tax Collection Fund* is used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The Township did not have any proprietary funds.

When both restricted and unrestricted resources are available for use, it is the government's policy to use unrestricted sources first, then unrestricted resources as they are needed.

## **D. Assets, liabilities, and net assets or equity**

### **1. Deposits and investments**

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

### **2. Receivables and payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds: (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property tax receivables are shown net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

### **3. Inventories and prepaid items**

There are no inventories or prepaid items.

#### **4. Restricted assets**

The Township has collected \$30,226 from a road millage that is reserved for payment to the County Road Commission.

#### **5. Capital assets**

Capital assets, which include property, plant, and equipment are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded as historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Property and equipment of the Township is depreciated using the straight-line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|---------------|--------------|
| Buildings     | 40           |
| Equipment     | 5            |

#### **6. Compensated absences**

The Township does not have a compensated absences policy.

#### **7. Long-term obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

In the fund financial statements, governmental fund types, recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.



## **8. Fund equity**

In the fund financial statements, governmental funds report the reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

## **9. Comparative data/reclassifications**

If the Township had an individual enterprise fund, comparative total data for the prior year would have been presented only in the fund financial statements in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

# **II. Stewardship, compliance, and accountability**

## **A. Budgetary information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Supervisor submits to the Township Board a proposed budget for the fiscal year commencing on April 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth in the combined statement of revenues, expenditures and changes in fund balances - budget and actual - GAAP basis - general funds.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to April 1, the budget is legally adopted by the Township Board as a resolution pursuant to the Uniform Budgeting and Accounting Act (P.A. 621 of 1978). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other

financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, or in excess of the amount appropriated.

4. The Supervisor is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the Township Board.
5. Formal budgetary integration is employed as a management control device during the year for the general fund and the building fund.
6. The budget as presented, has been amended. Supplemental appropriations were made during the year with the last one approved prior to April 1st.

**B. Excess of expenditures over appropriations**

For the year ended June 30, 2005, expenditures exceeded appropriations in the activities of supervisor, elections, assessor, clerk, board of review, zoning, board of appeals, liquor control inspection, fire protection, landfill fees, parks and library (the legal level of budgetary control) of the general fund by \$191, \$254, \$793, \$175, \$55, \$375, \$355, \$15, \$10,158, \$26,188, \$5, and \$446, respectively. These overexpenditures were funded by the available fund balance in the general fund.

**III. Detailed notes on all funds**

**A. Deposits and investments**

At year-end, the carrying amount of the Township's deposits were \$874,625 (includes \$140,170 in the Tax Collection Fund) and the bank balance was \$874,625, of which \$874,625 was covered by federal depository insurance.

**B. Receivables**

The Township does not have any material receivables as of June 30, 2005.

**C. Capital assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

|  | <u>Beginning<br/>Balance</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Ending<br/>Balance</u> |
|--|------------------------------|--------------------|------------------|---------------------------|
| <b>Governmental<br/>activities:</b>                |                              |                    |                  |                           |
| Capital assets, not<br>being depreciated:          |                              |                    |                  |                           |
| Land & improvements                                | \$ 35,000                    | \$ _____           | \$ _____         | \$ 35,000                 |
| Capital assets,<br>being depreciated:              |                              |                    |                  |                           |
| Buildings & improvements:                          |                              |                    |                  |                           |
| Township Hall                                      | 50,000                       |                    |                  | 50,000                    |
| Equipment  | 13,765                       |                    |                  | 13,765                    |
| Total capital assets<br>being depreciated          | 63,765                       |                    |                  | 63,765                    |
| Less accumulated<br>depreciation for:              |                              |                    |                  |                           |
| Buildings & improvements:                          |                              |                    |                  |                           |
| Township hall                                      | ( 10,000)                    | ( 1,250)           |                  | ( 11,250)                 |
| Equipment  | ( 6,753)                     | ( 753)             |                  | ( 7,506)                  |
| Total accumulated<br>depreciation                  | ( 16,753)                    | ( 2,003)           |                  | ( 18,756)                 |
| Total capital assets,<br>being depreciated,<br>net | 47,012                       | ( 2,003)           |                  | 45,009                    |
| Governmental<br>activities capital<br>assets, net  | <u>\$ 82,012</u>             | <u>\$ ( 2,003)</u> | <u>\$ _____</u>  | <u>\$ 80,009</u>          |

Depreciation expense was charged to functions/programs of the government as follows:

|  |                 |
|--|-----------------|
| Governmental activities:                               |                 |
| General government                                     | \$ 2,003        |
| Total depreciation expense-<br>governmental activities | <u>\$ 2,003</u> |

#### **D. Interfund receivables, payables, and transfers**

There were no transfers between governmental funds during the fiscal year ended June 30, 2005.

The composition of interfund balances as of June 30, 2005, is as follows:

Due to/from other funds:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u>    |
|------------------------|---------------------|------------------|
| General                | Tax collection      | <u>\$140,170</u> |

**E. Long-term debt**

Road work payable

On November 5, 1998, the Township entered into a contract with Clare County Road Commission for road work in the amount of \$243,815.00. The amount is payable in ten annual payments of \$31,973.88 including interest at the rate of 5% per annum, beginning in August 1999. The amount outstanding at year end is as follows:

| <u>Purpose</u>     | <u>Interest Rates</u> | <u>Amount</u>     |
|--------------------|-----------------------|-------------------|
| Governmental funds | 5.0%                  | <u>\$ 111,152</u> |

Debt service requirements to maturity are as follows:

| <u>Year Ending</u><br><u>June 30,</u> | <u>Principal</u>  | <u>Interest</u>  |
|---------------------------------------|-------------------|------------------|
| 2006                                  | \$ 26,416         | \$ 5,558         |
| 2007                                  | 27,737            | 4,237            |
| 2008                                  | 29,124            | 2,850            |
| 2009                                  | <u>27,875</u>     | <u>1,394</u>     |
|                                       | <u>\$ 111,152</u> | <u>\$ 14,039</u> |

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

|                     | <u>Beginning</u><br><u>Balance</u> | <u>Additions</u><br><u>(Reductions)</u> | <u>Ending</u><br><u>Balance</u> | <u>Due Within</u><br><u>One Year</u> |
|---------------------|------------------------------------|---|---------------------------------|--------------------------------------|
| <b>Governmental</b> |                                    |   |                                 |                                      |
| <b>activities:</b>  |                                    |   |                                 |                                      |
| Road work           |                                    |   |                                 |                                      |
| payable             | <u>\$ 136,311</u>                  | <u>\$(25,159)</u>                       | <u>\$111,152</u>                | <u>\$ 26,416</u>                     |

#### **IV. Other information**

##### **A. Risk management**

The Township is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; and employee injuries (workers compensation). The Township was unable to obtain general liability insurance at a cost it considered to be economically justifiable. The Township joined together with other governments and created a public entity risk pool currently operating as a common risk management and insurance program. The Township pays an annual premium to the pool for its general insurance coverage.

The Township has purchased commercial insurance for all other risks of loss. Settlements claims have not exceeded coverages for each of the past three fiscal years.

The pooling agreement allows for the pool to make additional assessments to make the pool self-sustaining. The Township is unable to provide an estimate of the amounts of additional assessments.

##### **B. Pension plan**

The Township does not have a deferred compensation plan or a defined benefit plan.

##### **C. Implementation of new accounting standard**

As of and for the year ended June 30, 2005, the Township implemented GASB Statement Number 34 - *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*. The more significant changes required by the standard include a Management Discussion and Analysis; government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting; fund financial statements, consisting of a series of statements that focus on a governments' major funds; and schedules to reconcile the fund financial statements to the government-wide financial statements.

Required Supplementary Information

Township of Hamilton  
General Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balances - Budget and Actual  
For the Year Ended June 30, 2005

|                                 | <u>Budgeted Amounts</u> |                | <u>Actual</u>  | <u>Variance</u><br><u>with</u><br><u>Final</u><br><u>Budget</u><br><u>Positive</u><br><u>(Negative)</u> |
|---------------------------------|-------------------------|----------------|----------------|---|
|                                 | <u>Original</u>         | <u>Final</u>   | <u>Amounts</u> |   |
| <b>REVENUES</b>                 |                         |                |                |   |
| Property taxes and related fees | \$150,075               | \$ 150,075     | \$133,281      | \$ ( 16,794)  |
| Licenses & permits              | 5,020                   | 5,020          | 5,595          | 575   |
| State aid                       | 130,000                 | 130,000        | 142,256        | 12,256  |
| Charges for services            | 3,025                   | 3,025          | 12,767         | 9,742   |
| Interest earnings               | 10,000                  | 10,000         | 5,833          | ( 4,167)  |
| Rents & royalties               | 5,400                   | 5,400          | 6,681          | 1,281   |
| Miscellaneous                   | 3,000                   | 3,000          | 26,526         | 23,526  |
| Total revenues                  | <u>306,520</u>          | <u>306,520</u> | <u>332,939</u> | <u>26,419</u>   |
| <b>EXPENDITURES</b>             |                         |                |                |   |
| Current:                        |                         |                |                |   |
| Legislative:                    |                         |                |                |   |
| Township board                  | <u>39,365</u>           | <u>39,365</u>  | <u>21,675</u>  | <u>17,690</u>   |
| General government:             |                         |                |                |   |
| Supervisor                      | 6,350                   | 6,350          | 6,541          | ( 191)  |
| Elections                       | 1,070                   | 1,070          | 1,324          | ( 254)  |
| Assessor                        | 12,400                  | 12,400         | 13,193         | ( 793)  |
| Clerk                           | 8,160                   | 8,160          | 8,335          | ( 175)  |
| Deputy clerk                    | 500                     | 500            | 200            | 300   |
| Board of review                 | 910                     | 910            | 965            | ( 55)   |
| Treasurer                       | 12,350                  | 12,350         | 12,042         | 308   |
| Deputy treasurer                | 3,100                   | 3,100          | 3,100          |   |
| Township hall                   | 9,150                   | 9,150          | 6,849          | 2,301   |
| Cemetery                        | <u>3,560</u>            | <u>3,560</u>   | <u>1,984</u>   | <u>1,576</u>  |
| Total general government        | <u>57,550</u>           | <u>57,550</u>  | <u>54,533</u>  | <u>3,017</u>  |

Township of Hamilton  
General Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2005  
(Continued)

|                                      | <u>Budgeted Amounts</u> |               | <u>Actual</u>  | <u>Variance</u>                              |
|--------------------------------------|-------------------------|---------------|----------------|--|
|                                      | <u>Original</u>         | <u>Final</u>  | <u>Amounts</u> | <u>with Final Budget Positive (Negative)</u> |
| <b>EXPENDITURES</b>                  |                         |               |                |  |
| <b>(CONTINUED):</b>                  |                         |               |                |  |
| Current:                             |                         |               |                |  |
| Public safety:                       |                         |               |                |  |
| Building inspections                 | 8,100                   | 8,100         | 6,160          | 1,940  |
| Liquor control inspection            | 875                     | 875           | 890            | ( 15)  |
| Fire protection                      | <u>25,000</u>           | <u>25,000</u> | <u>35,158</u>  | <u>( 10,158)</u>                             |
| Total public safety                  | <u>33,975</u>           | <u>33,975</u> | <u>42,208</u>  | <u>( 8,233)</u>                              |
| Public works:                        |                         |               |                |  |
| Street lighting                      | 225                     | 225           | 202            | 23   |
| Landfill fees                        | 15,650                  | 34,150        | 60,338         | ( 26,188)                                    |
| Road Commission                      | <u>55,000</u>           | <u>55,000</u> | <u>20,050</u>  | <u>34,950</u>                                |
| Total public works                   | <u>70,875</u>           | <u>89,375</u> | <u>80,590</u>  | <u>8,785</u>                                 |
| Community/economic development:      |                         |               |                |  |
| Zoning                               | 1,400                   | 1,400         | 1,775          | ( 375)                                       |
| Board of appeals                     | <u>1,700</u>            | <u>1,700</u>  | <u>2,055</u>   | <u>( 355)</u>                                |
| Total community/economic development | <u>3,100</u>            | <u>3,100</u>  | <u>3,830</u>   | <u>( 730)</u>                                |
| Recreation & culture:                |                         |               |                |  |
| Parks                                | 100                     | 100           | 105            | ( 5)   |
| Library                              | <u>8,500</u>            | <u>8,500</u>  | <u>8,946</u>   | <u>( 446)</u>                                |
| Total recreation & culture           | <u>8,600</u>            | <u>8,600</u>  | <u>9,051</u>   | <u>( 451)</u>                                |



Township of Hamilton  
General Fund  
Statement of Revenues, Expenditures and Changes  
in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2005  
(Continued)

|                             | <u>Budgeted Amounts</u> |                   | <u>Actual</u>    | <u>Variance</u>  |
|-----------------------------|-------------------------|-------------------|------------------|--|
|                             | <u>Original</u>         | <u>Final</u>      | <u>Amounts</u>   | <u>with</u><br><u>Final</u><br><u>Budget</u><br><u>Positive</u><br><u>(Negative)</u> |
| <b>EXPENDITURES</b>         |                         |                   |                  |  |
| <b>(CONTINUED):</b>         |                         |                   |                  |  |
| Debt service:               |                         |                   |                  |  |
| Principal                   | 25,000                  | 25,000            | 25,159           | ( 159)   |
| Interest                    | <u>20,000</u>           | <u>20,000</u>     | <u>6,416</u>     | <u>13,584</u>  |
| Total debt service          | <u>45,000</u>           | <u>45,000</u>     | <u>31,575</u>    | <u>13,425</u>  |
| Total expenditures          | <u>258,465</u>          | <u>276,965</u>    | <u>243,462</u>   | <u>33,503</u>  |
| Net change in fund balances | 48,055                  | 29,555            | 89,477           | 59,922   |
| Fund balances-<br>beginning | <u>          </u>       | <u>          </u> | <u>691,811</u>   | <u>691,811</u>   |
| Fund balances-ending        | <u>\$ 48,055</u>        | <u>\$ 29,555</u>  | <u>\$781,288</u> | <u>\$ 751,733</u>  |

See notes to financial statements

## **Nonmajor Governmental Funds**

### **Special Revenue Funds**

Special revenue fund are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Inland Lakes Fund - This fund is used to account for assessments that are specifically restricted for expenditures for the Inland Lakes area.

Private Roads Fund - This fund is used to account for assessments that are specifically restricted for expenditures for private roads.

Springwood Lakes Fund - This fund was created this fiscal year to account for assessments that are specifically restricted for expenditures for the Springwood Lakes area.

Township of Hamilton  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2005

|                              | <u>Special Revenue</u>  |                          |                             | <u>Total<br/>Nonmajor<br/>Governmental<br/>Funds</u> |
|------------------------------|-------------------------|--------------------------|-----------------------------|--|
|                              | <u>Inland<br/>Lakes</u> | <u>Private<br/>Roads</u> | <u>Springwood<br/>Lakes</u> |  |
| <b>ASSETS</b>                |                         |                          |                             |  |
| Cash and cash<br>equivalents | \$ 43,551               | \$30,470                 | \$ 19,316                   | \$ 93,337  |
| Total assets                 | <u>\$ 43,551</u>        | <u>\$30,470</u>          | <u>\$ 19,316</u>            | <u>\$ 93,337</u>                                     |
| <br><b>FUND BALANCES</b>     |                         |                          |                             |  |
| Unreserved                   | \$ 43,551               | \$30,470                 | \$ 19,316                   | \$ 93,337  |
| Total fund balances          | <u>\$ 43,551</u>        | <u>\$30,470</u>          | <u>\$ 19,316</u>            | <u>\$ 93,337</u>                                     |

See notes to financial statements

Township of Hamilton  
Combining Statement of Revenues, Expenditures  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
For the Year Ended June 30, 2005

|                                | <u>Special Revenue</u>  |                          |                             | Total<br>Nonmajor<br>Governmental<br>Funds |
|--------------------------------|-------------------------|--------------------------|-----------------------------|--|
|                                | <u>Inland<br/>Lakes</u> | <u>Private<br/>Roads</u> | <u>Springwood<br/>Lakes</u> |  |
| <b>REVENUES</b>                |                         |                          |                             |  |
| Special assessments            | \$ 32,142               | \$14,978                 | \$ 37,032                   | \$ 84,152                                  |
| Interest earnings              | <u>25</u>               | <u>26</u>                | <u>7</u>                    | <u>58</u>                                  |
| Total revenues                 | <u>32,167</u>           | <u>15,004</u>            | <u>37,039</u>               | <u>84,210</u>                              |
| <b>EXPENDITURES</b>            |                         |                          |                             |  |
| Current:                       |                         |                          |                             |  |
| Public works                   | <u>25,691</u>           | <u>12,158</u>            | <u>17,723</u>               | <u>55,572</u>                              |
| Total expenditures             | <u>25,691</u>           | <u>12,158</u>            | <u>17,723</u>               | <u>55,572</u>                              |
| Net change in fund<br>balances | 6,476                   | 2,846                    | 19,316                      | 28,638                                     |
| Fund balances -<br>beginning   | <u>37,075</u>           | <u>27,624</u>            | <u>          </u>           | <u>64,699</u>                              |
| Fund balances -<br>ending      | <u>\$ 43,551</u>        | <u>\$30,470</u>          | <u>\$ 19,316</u>            | <u>\$ 93,337</u>                           |

See notes to financial statements

COMMENTS AND RECOMMENDATIONS

**Barry E. Gaudette, CPA, P.C.**  
CERTIFIED PUBLIC ACCOUNTANT

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Traverse City, Michigan 49686  
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Fax (231) 946-1377

Members of the Township Board  
Township of Hamilton  
Clare County, Michigan

Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

It was not necessary to make any comments or recommendations.

This letter supplements the information in the Financial Statements and Notes to Financial Statements. It is intended solely for the use of management and the Township Board and should not be used for any other purpose.

*Barry E. Gaudette, CPA, P.C.*

August 15, 2005